



IN NEXT GROWTH CITIES

Holiday unlocks year-round
Brand, retailer opportunities

A pioneer study Powered by **BRANDZ™**
In collaboration with  &  **CNRS-TGI**
a part of XINSHIJI



CHINESE ZODIAC

The cycle of the Chinese zodiac expresses both continuity with the past and the reality of constant change. This yin and yang combination of opposites captures the Chinese view of the New Year as a time to find harmony in a blend of ancient traditions and modern life.

Welcome

For anyone interested in unlocking opportunities in China and succeeding in the next wave of China's growth, understanding the Chinese New Year is a master key.

The 15-day festival, first celebrated more than 4,000 years ago, reveals what the Chinese hold important from the past and how they're adjusting to the rapidly changing present of increasing wealth and shifting population.

These opportunities are especially apparent in large, developing cities, often referred to as Tier Two and below. These locations will be the powerful drivers of China's next wave of economic growth. Brand success here will result in success in China. We visited two of these cities to conduct pioneering ethnographic research about the importance of brands during the Chinese New Year. While gaining fresh insights into the tension between holiday tradition and reinvention is a critical goal, until now it's been difficult to achieve.

Understandably, the Chinese haven't been eager to participate in market research during the only period of the year when they can break from work to focus on relaxation, family intimacy and reunion. That's why we're especially pleased to present this report. Our team spent several days living with two families over the Chinese New Year holiday, sharing, discussing and documenting its rituals, from preparation through celebration.

The team included photojournalist Cecilie Østergren whose striking images fill this report. With a unique combination of photographs, proprietary research and consumer insight, this BrandZ™ China study documents the contemporary celebration of the holiday and reveals how people are adopting to modern circumstances while trying to maintain traditions. We feature some brands from our BrandZ™ Top 50 Most Valuable Chinese Brands study 2012, and conclude

by distilling our findings into key insights and practical steps that brands in China, both domestic and foreign, can take to enhance the celebration, secure their part in it and be better positioned to win in the explosive growth that China's Tier Two and below cities represent.

This BrandZ™ China study is a collaborative effort by several WPP companies. It combines BrandZ™ data with the quantitative research and analysis of Added Value and CNRS-TGI data. Millward Brown contributed analysis of successful New Year advertising themes. BrandZ™ is the WPP proprietary brand analytics study undertaken by Millward Brown. Only available to WPP companies, BrandZ™ includes the world's largest, most reliable and comprehensive consumer-focused brand analytics and equity database. Added Value provides consultancy on brand development and market insight. TGI conducts the largest single-source continuous survey of consumer usage habits, lifestyles, media exposure and attitudes in China and 60 countries worldwide.

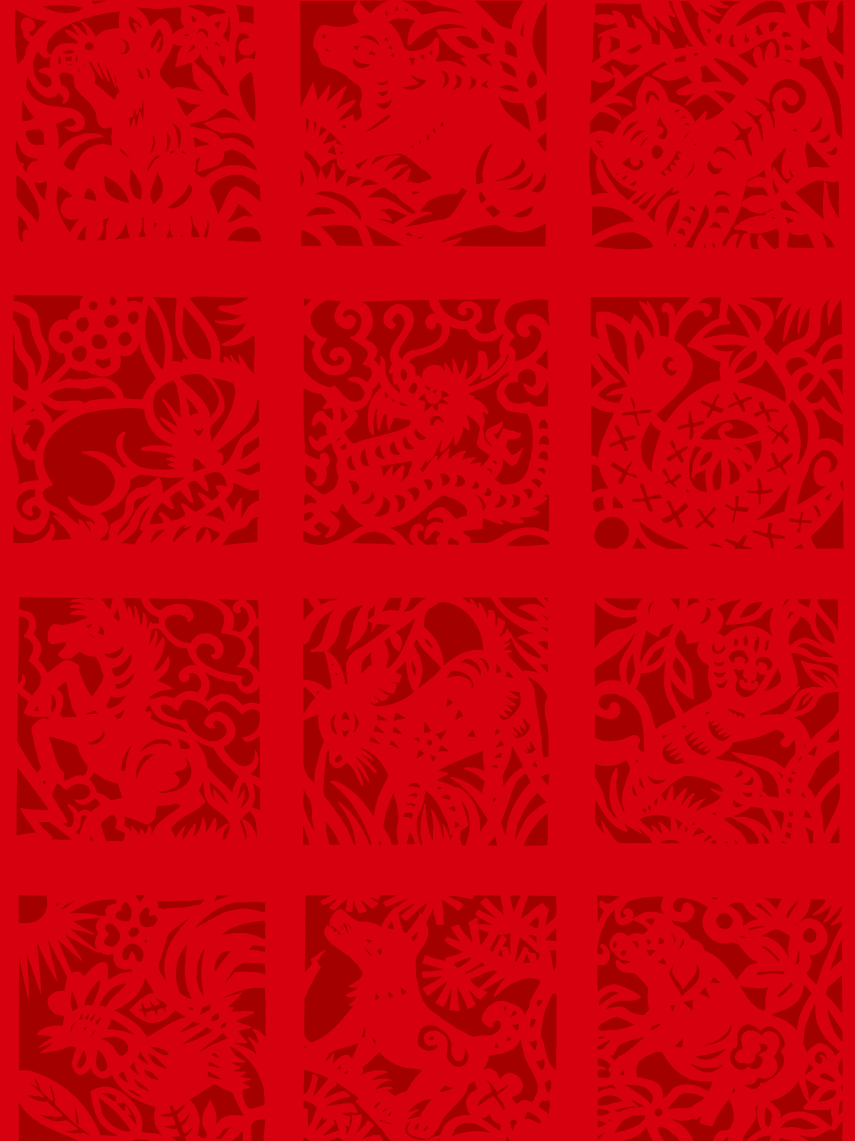
BrandZ™ China studies exemplify the kind of original and useful knowledge and insights that can be gained by harnessing the combined resources, and Chinese market expertise, of WPP's companies.

For further information, please contact any of the WPP companies listed on page 78. Or feel free to email me directly.

Best Regards,



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Introduction

Chinese New Year is the most important holiday in the world's most populous country and represents an enormous opportunity for brands and retailers.

In studying the celebration of the Chinese New Year, we set out to explore two phenomena: the current role that brands play and the ways in which brands can enhance that role. We selected two cities—Nanjing and Weifang. With populations of roughly eight million people, these cities are neither leading edge nor left behind. They are more representative of China than the coastal enclaves and leading cities of Beijing, Shanghai and Guangzhou. And the next wave of China's dramatic economic growth is playing out in cities like these where the majority of the country's 1.3 billion citizens live.

We discovered that, although Chinese people enjoy spending the New Year period away from work, many also yearn for the more traditional celebration they recall from childhood. Parents complain they are unable to transmit the culture to their children. Brands and retailers have a major opportunity to address this yearning with a retail experience that more closely matches customer desires at this unique time of year, when people break from daily routine for a few consecutive days of reflection and the pleasures of family life.

Currently, however, the main retail distinction from the rest of the year is that shopping becomes more stressful and promotion driven and less enjoyable. Among our key findings about these new wave growth cities:

- Brands play an important but not central role in the Chinese New Year.
- Brand presence during the New Year is significant in only a few categories, including alcohol and traditional Chinese medicine.
- Trust and value, always key to brand success, are even more important during the New Year, based on our BrandZ™ research.
- Connecting with customers during the New Year accelerates bonding and should help boost year-round sales.

Brand Spotlight

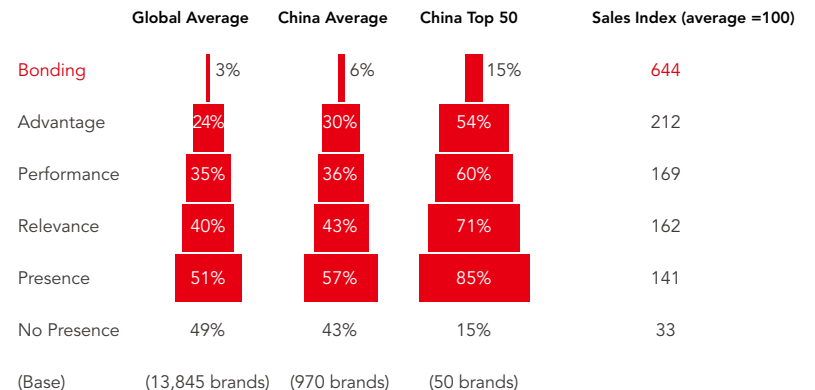
This report spotlights brands that consumers, in this study, said they are likely to consider for the New Year celebration. We elaborated on these responses using CNRS-TGI data. Shoppers look for Chinese brands because they're accessible and generally affordable. Most of the brands featured in the report rank in the BrandZ™ Top 50 Most Valuable Chinese Brands.

The Chinese embrace modern life and the benefits of greater affluence. But they also seem eager to enrich the present with important aspects of the past. Brands and retailers that sensitively evoke the rich traditions of the Chinese New Year can enhance the celebration and deepen their bond with consumers.

Western retailers and brands, in particular, must approach this opportunity with humility and cultural sensitivity. The Chinese New Year sometimes is viewed as analogous to the Holiday Season in the West. The comparison is valid but oversimplified. A central New Year's legend recounts how a child dressed in red frightened a fierce beast and saved a village, not how a man in red delivered gifts to the village's children.

While gift giving is important and will grow, it's not among the key drivers, which include: experiencing harmonious family time and conferring and receiving respect and status. Brands that address these drivers can successfully be associated with the New Year and benefit from increasing gift giving. Association with the New Year could also help brands accelerate bonding with customers and enjoy positive consequences throughout the year. It's most important to recognize that Chinese New Year is one of the world's oldest and richest ongoing annual traditions.

Stronger bonding, greater sales



As the BrandZ™ Pyramid illustrates, brand relationships with consumers strengthen progressively. They begin at the bottom level of the Pyramid, which measures "presence," or simple awareness or experience of the brand. They culminate at the tip of the Pyramid, which measures the emotional bond generated when the brand is believed to offer more advantages than its competitors. Stronger bonding

correlates with greater sales. The level of consumer bonding with brands is twice as strong in China compared with the global average. The level is five times stronger among China's Top 50 most valuable brands. The BrandZ™ Pyramid was developed by Millward Brown, WPP's global advertising, media and brand equity consultancy.



THE CHINESE NEW YEAR **YESTERDAY**

History and Tradition



The Chinese New Year, known in China as Spring Festival, is the country's most important holiday. It also is celebrated in places with substantial Chinese populations, particularly in Asia, and in the Chinatowns of cities worldwide. The Chinese New Year is based on a calendar established about 4,700 years ago, although the exact date is disputed.

Various legends explain the origin of the Chinese New Year. One describes how people dreaded the New Year because a fearsome beast named Nian annually terrorized the population and devoured children. Then one year a child appeared dressed in red. The beast, frightened by the color, fled and never returned. That's why the Chinese New Year traditionally features red lanterns and noisy firecrackers to ward off evil spirits.





The Chinese New Year is based on a calendar that calculates time using both lunar and solar events. Time passes in 12-year cycles with each year represented by an animal of the Chinese zodiac. The zodiac animals are divided into yin or yang, consistent with the Chinese view of the world as comprised of complementary opposites. They also are assigned an element: wood, fire, earth, metal or water. Yin and yang combinations of animals and elements produce a 60-year cycle.



Missionaries introduced the Gregorian calendar to China in the sixteenth century. It was generally adopted early in the twentieth century and is officially used today. But the Chinese New Year remains deeply embedded in the culture.

Traditionally, people prepare special foods and hope for a future of good luck. They attend many family dinners, starting with a New Year's Eve feast. Travel home for the family reunion produces a mass migration. The New Year period culminates in the lantern festival, a joyful celebration around the first new moon in the lunar New Year.





THE CHINESE NEW YEAR **TODAY**

Family, Food
and Fireworks



Connecting and Disconnecting With the Past

The Chinese New Year remains China's most important national holiday.

But as China becomes a wealthy, modern society the celebration of the Chinese New Year reveals how people both connect and disconnect with the past. Some traditions are abandoned, while others are reinvented and new ones emerge.

Just a generation ago, people anticipated the New Year as an occasion celebrated with new clothes, special foods and visits with family. Many families saved all year to afford their purchases. It was the only time that new clothes were purchased. Today, items once desirable because of their scarcity have become routine.

In the past, preparation—buying fabrics and ingredients to sew new clothes and cook special foods—was part of the holiday's excitement. Today, preparation time is crowded with new opportunities, obligations and stresses.

When family members lived near each other, gathering for meals during the 15-day New Year period was easy. Today, large distances separate many families all year and reunions are more difficult with individuals, in pursuit of economic opportunity, dispersed across the country.

The Continued Importance of Reunion

But in China, these changes exist comfortably with counter trends.


Greater material abundance comes with a faster pace of life that sometimes seems overwhelming. While grateful for improved material standards, some Chinese people feel the need for spiritual balance. More people now visit Buddhist and Taoist temples during the New Year. They pray for longevity, health and wealth as they traditionally did in earlier periods when daily life in China was more difficult and the New Year resonated with hope for a better future.

But not everyone prays in a traditional way. Some people simply pray that their good times become even better. Also, the New Year has become somewhat more of an economy-driving, gift-giving opportunity both for

expressing sentiments to family and friends and for lubricating business relationships. Some people, particularly in the coastal cities, use the 15-day holiday period as an opportunity to spend new wealth on an overseas vacation.

But because more families are separated for much of the year, reunion has become even more important. Young people increasingly leave their villages for university study and to work as professionals in cities. Similarly, migrant laborers often spend the entire year away from family and from their young children, earning a living literally 'building China' and sending money home. The New Year is the only time when young professionals and migrant laborers return from the places where they're employed to the villages where they were born.





More than two billion trips on public transportation take place during a 40-day period around the Chinese New Year. During this migration, called Chunyun, ticket buyers crowd train stations and overburden online travel sites. Calls to book train tickets reached a rate of 19 million per hour in one major city.

World's largest
human migration



The Chunyun underscores the importance of the Chinese New Year and the enduring centrality of family. We followed two families as they journeyed home for their family reunions and we joined them for their New Year celebrations.

Introducing the Zhang family of Weifang

Three generations of the family live together in a home in Weifang, a city of 8.5 million inhabitants near China's northeastern coast. The household includes Zhang Yun and Zhuang Yujuan, husband and wife, 10-year-old daughter Zhang Shudi and the maternal grandparents.

Mr. Zhang Yun works as a chef. Ms. Zhuang Yujuan sells jeans at a market stall she owns. The three generations cooperate closely to succeed as a family. Grandmother Zong Fuyin helps at the market stall and both grandparents participate as care givers for their grandchild and in household chores.

This involvement is driven by family affection but also by a desire to create wealth and ensure the success of Zhang Shudi, an only child. A poster hanging in the main room of the home summarizes this ambition. It says in handwritten Chinese characters, "To be modest is to allow others to take a step ahead."

The family's celebration of the New Year also reflects its ambition. While the generations spend time together to enjoy the holiday's rich traditions, they also visit business associates to strengthen those relationships.



Father: Zhang Yun



Mother: Zhuang Yujuan



Daughter: Zhang Shudi



Paternal grandfather:
Zhang Qiyi



Paternal grandmother:
Wang Yuhua



Paternal great grandmother:
Ding Jihua



Maternal grandfather:
Zhuang Guoliang



Maternal grandmother:
Zong Fuyin



Huahua



The Zhang extended family

A time for family reunion, relatives gather for relaxation, renewal and preparation for the future. Today, people usually emphasize the first few days of the 15-day New Year period, celebrating with family visits and feasts.

Introducing the Liu family of Nanjing

Liu Ming and Wu Bihong live with their eight year-old son Liu Ruizhe in Nanjing, a city of eight million inhabitants along the Yangtze River in eastern China. They inherited their apartment from Mr. Liu Ming's parents who lived together with the family until five years ago, when they purchased a home in the suburbs.

The young couple operates a small but growing accounting firm. Their success enabled them to replace a used car with a new Suzuki hatchback. They're saving to fulfill a lifelong ambition, buying a new home.

While material wellbeing is important to them, the couple's primary focus is ensuring a successful education and future for their son. They encourage him to study hard and invite friends to visit, hoping to foster strong social skills. Concerned by their son's poor eating habits, they prepare his meals to be visually interesting as well as tasty and nutritious.

Focus on their son also influences their attitude toward the New Year. The greater availability of better foods and new clothing once reserved for the New Year has diminished the holiday's special character. "These days, every day is like Chinese New Years," said Liu Ming. They want to restore some of the traditions and warmth. The family will spend part of the holiday with the grandparents.



Father: Liu Ming



Mother: Wu Bihong



Son: Liu Ruizhe



Paternal grandfather:
Liu Huahu



Paternal grandmother:
Huang Yongming



Maternal grandfather:
Wu Keyi



Maternal grandmother:
Wang Guilan



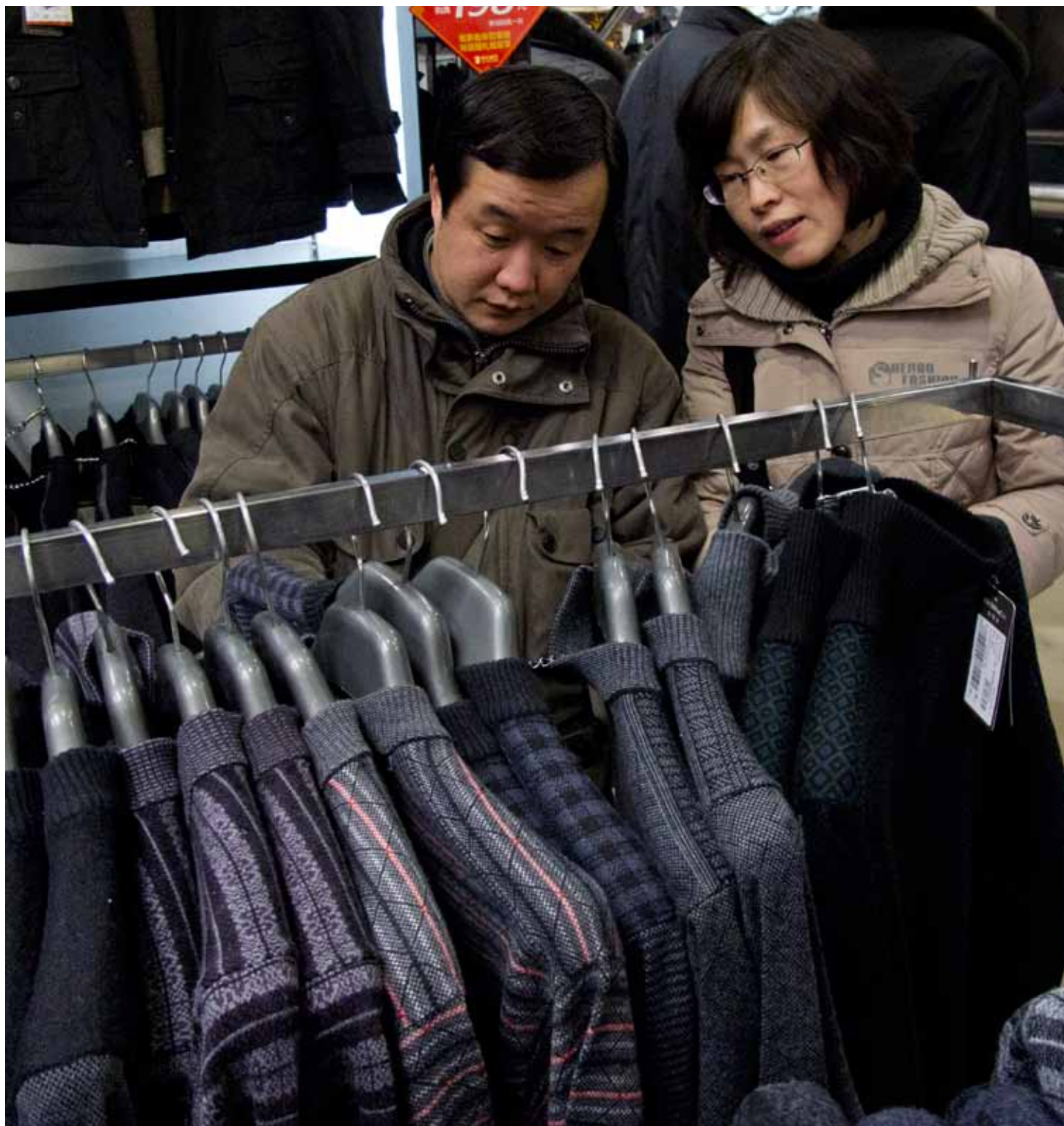
SHOPPING AND PREPARATION



A hypermarket visit
becomes a family
excursion



Prior to the New Year, families visit supermarkets and other modern retail outlets for a variety of products including holiday clothes, alcohol, snacks and other packaged foods.



Brand Spotlight: Li-Ning

Li-Ning is a leading sportswear brand named after its founder, Li Ning, a medal-winning Chinese Olympic gymnast famous for his performance at the 1984 summer games. The brand is often chosen as a New Year purchase. Although the brand still trails Nike and Adidas in overall popularity in China, Li-Ning narrowly surpassed Adidas recently in sales to women. Li-Ning ranks number 47 in the BrandZ™ Top 50 Most Valuable Chinese Brands 2013. www.brandz.com/china





At the hypermarket

The family chooses its hypermarket destination based mostly on convenience and usually visits the store only one time, just before the New Year, to stock up.





Brand Spotlight: Mengniu

Mengniu is China's leading producer of dairy products. It promotes the brand by connecting the national vitality of China with the importance of consuming dairy products. That strategy is in part responsible for the 68 percent penetration Mengniu enjoys among milk drinkers. Mengniu products are increasingly being consumed as ingredients in Chinese New Year celebration meals. Recent publicity about contaminated product reflects the Chinese dairy industry's ongoing struggle to sustain food safety standards. Mengniu ranks number 22 in the BrandZ™ Top 50 Most Valuable Chinese Brands 2013. www.brandz.com/china





Shopping at the
traditional market



To assure food quality and freshness, a few family members make daily visits to a traditional market where merchants offer fresh produce, meat, poultry and other items.



A photograph of a bustling indoor market. In the foreground, a woman in a dark blue jacket is leaning over a stall, handing a banknote to a man in a grey jacket. The stall is overflowing with fresh vegetables, including large heads of cauliflower, green leafy vegetables, and red chili peppers. In the background, other shoppers and vendors are visible, creating a lively atmosphere. The market has a rustic feel with wooden stalls and large windows in the background.

Bargaining at
the traditional
market



Bargaining remains part of the shopping experience, not simply to assure the best price but also to be seen as a smart shopper.

Meal preparation





Meal preparation begins after most of the shopping is completed.



Cooking is communal





Typically, women prepare the meals, but men participate, too, especially to create favorite dishes.



EATING

Days of feasts





The first and most important feasts happen on New Year's Eve and the first days of the New Year period. At least one meal is spent with the husband's family and another with the wife's.







The extended family



Other members of the extended family host meals during later days of the holiday.



When the extended family gathers, men tend to sit together at one table.



Some celebrate
in restaurants



Today, because of affluence, desire for convenience and lack of space in newer apartments, some meals even take place at restaurants.



Brand Spotlight: ChangYu

ChangYu, a leader in Chinese wine, was founded in 1892 in Eastern China. Consumers appreciate the heritage of the ChangYu, which is viewed as a sophisticated drink for the mass market, but not a luxury brand. It elicits high desire that justifies its price premium. ChangYu ranks number 19 in the BrandZ™ Top 50 Most Valuable Chinese Brands 2013. www.brandz.com/china



A photograph of a table set with several traditional Chinese New Year dishes. In the foreground, there is a large white bowl filled with a colorful salad of shredded vegetables, including carrots, mushrooms, and bean sprouts. To its right is a plate of stir-fried crab with corn and other vegetables. Further back, there is a whole steamed fish garnished with green herbs, a plate of braised chicken, and a bowl of soup. The table is covered with a green cloth, and the dishes are arranged in a circular fashion, typical of a family meal.

Some foods have
symbolic significance

Traditionally, fish is eaten on the first day of the New Year and sometimes a portion is left over to symbolize abundance for the family in the coming year.



Platters of dumplings often include one dumpling with a peanut cooked into the center. According to tradition, the lucky people who select the dumpling with the peanut center enjoy good fortune in the New Year.

Other foods
bring luck



People celebrate
with liquor and wine



Alcoholic beverages, including Chinese liquor and increasingly wine, are consumed during the festive meal, mostly by men but also by women. With a 5,000-year-old heritage, Baijiu, the Chinese white alcohol distilled from Sorghum, is firmly associated with all important celebrations and occasions.



Brand Spotlight: Wu Liang Ye

Wu Liang Ye is a leading distiller of baijiu, the traditional liquor produced from sorghum. High desire and premium pricing position Wu Liang Ye as an aspirational brand. It's the brand people want to be seen drinking. Wu Liang Ye is number 17 in the BrandZ™ Top 50 Most Valuable Chinese Brands. www.brandz.com/china





RELAXING



Fireworks fill the air



To take a break between the many meals, families go for walks and also purchase and set off vast amounts of fireworks, filling the air with festive sound and light.



The red paper debris from exploded fireworks covers the ground like fallen leaves.

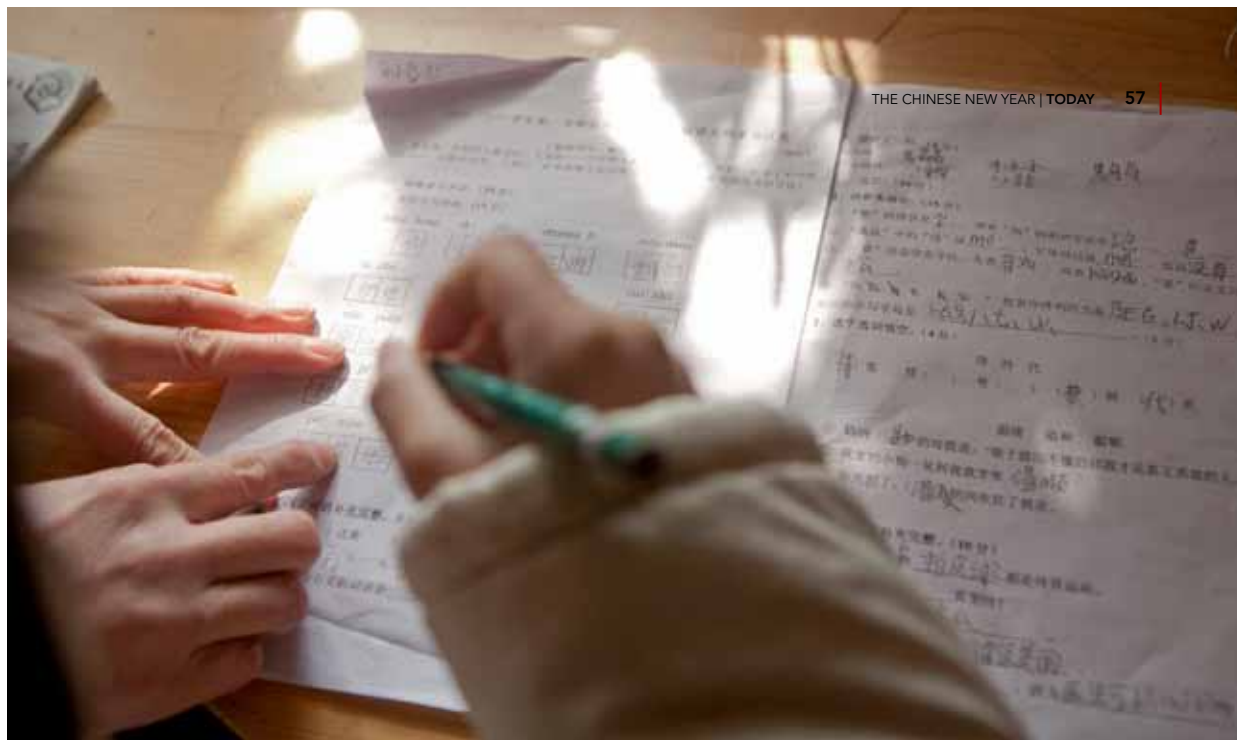


Legend says that fireworks scare away evil spirits and assure good luck in the New Year. To prolong the power of the fireworks, people sometimes turn glowing sparks into small fires.

Ground fires
continue the glow



Children make
time to study



Although children are off from school during the holiday, families remember that this period is a short break from a competitive life. Driven by an overriding requirement to improve their children's chances for success, parents enforce time for study.

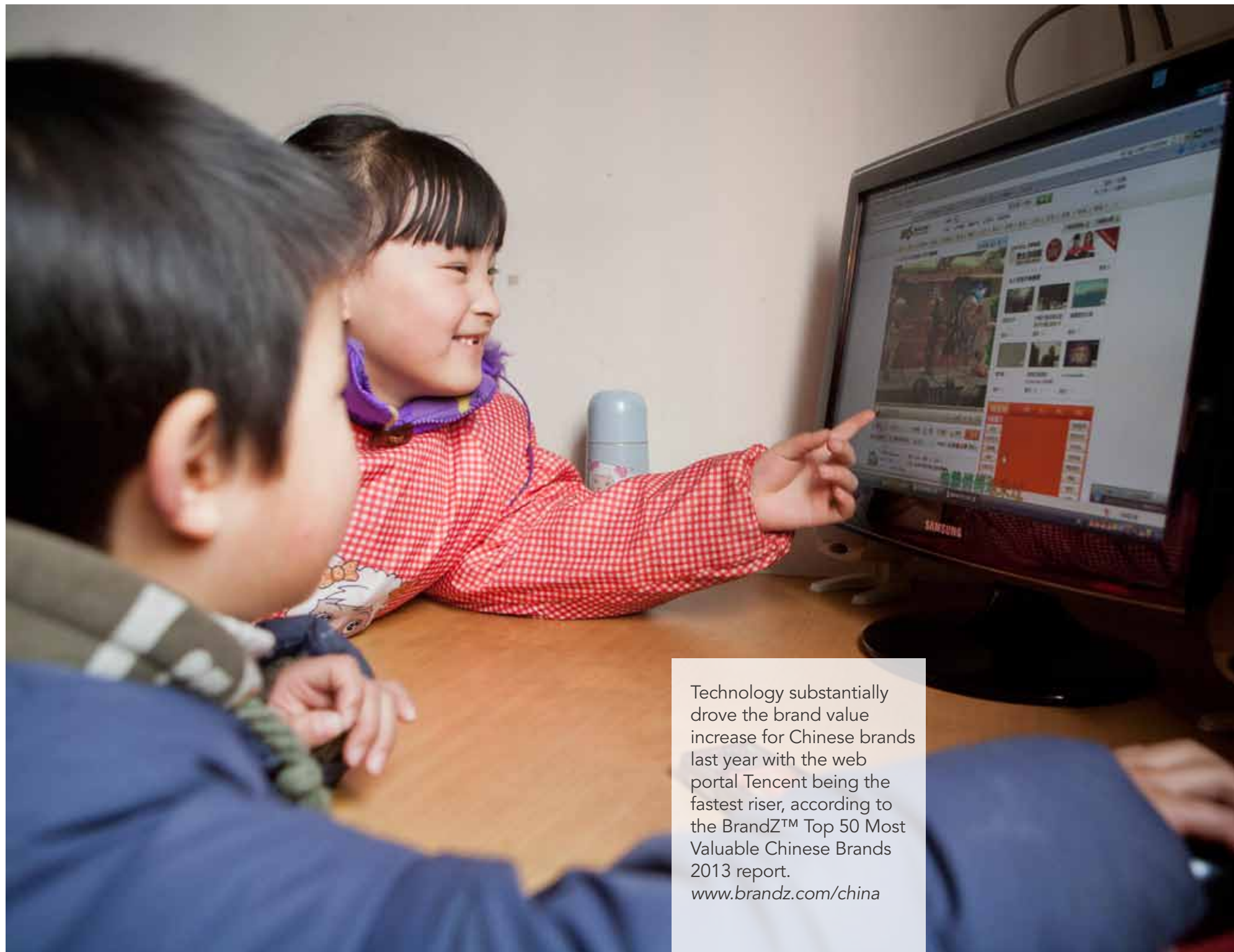


Children also
find time to play



Reflecting the growing influence of technology in China and the rapid growth of the Internet, children spend much of that time playing online or with electronic devices like cameras.





Technology substantially drove the brand value increase for Chinese brands last year with the web portal Tencent being the fastest riser, according to the BrandZ™ Top 50 Most Valuable Chinese Brands 2013 report.
www.brandz.com/china



GIFT GIVING



Red envelopes
of money



The New Year is a time for gift giving. As more material goods are available in China, the variety of gift items is expanding, but the tradition of placing a cash gift in a red envelope remains a regular practice called hongbao. Children generally receive hongbao from parents and grandparents.







Red signifies luck



Because the color red signifies good luck, people buy an article of clothing or some other object in the color red.



Alcoholic beverages, such as baijiu, are seen as an appropriate gift especially for men, as drinking remains an integral part of the New Year celebration.

Alcohol



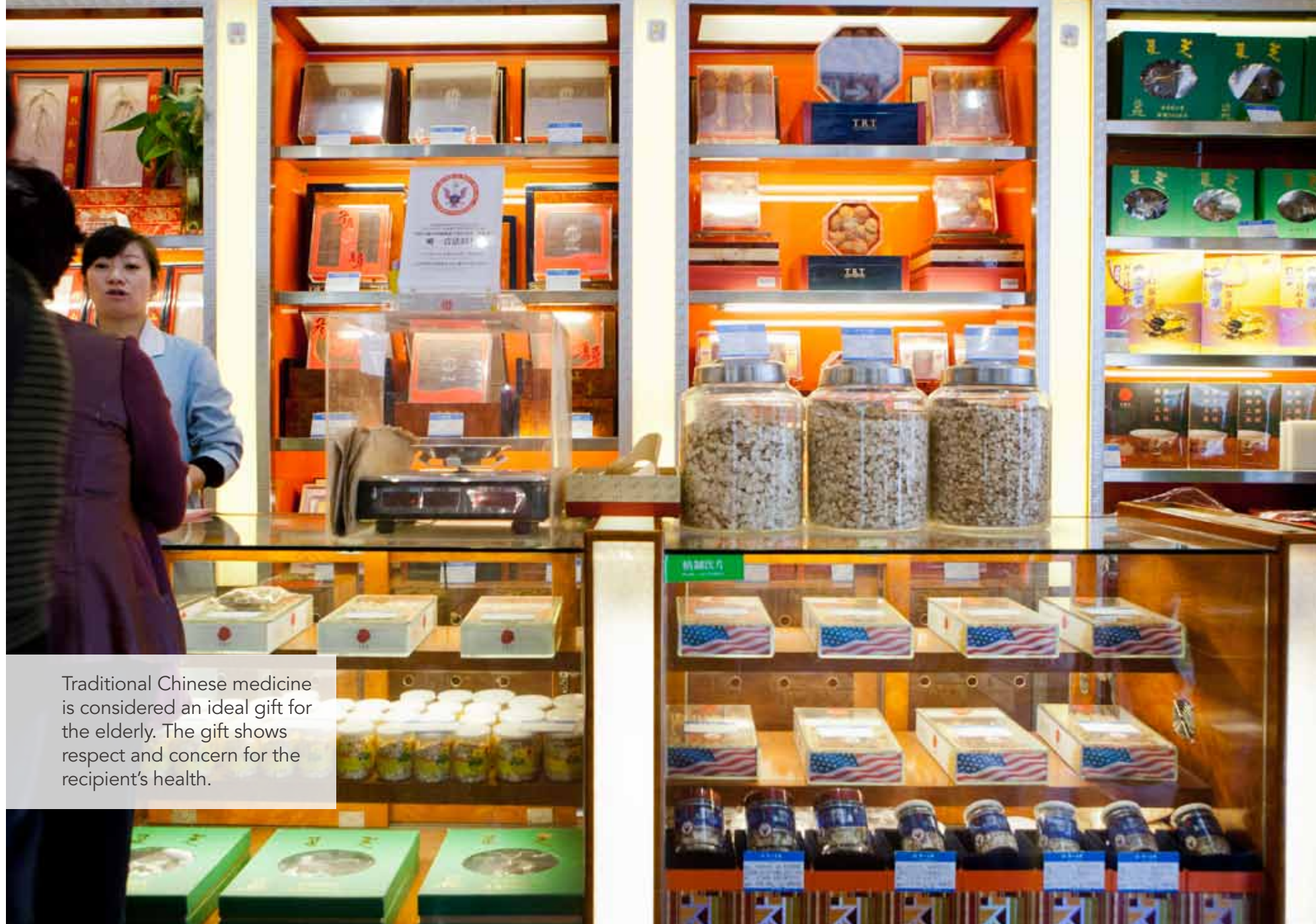
Traditional Chinese
medicine

仁堂 健康药业

北京同仁堂 健康药业

北京同仁堂 健康药业

北京同仁堂 健



Traditional Chinese medicine is considered an ideal gift for the elderly. The gift shows respect and concern for the recipient's health.



Brand Spotlight: *Ye Dao*

Ye Dao is a well-priced wine positioned as a functional drink that provides health benefits like a traditional Chinese medicine. Ye Dao is a popular gift item during the Chinese New Year, particularly for a grandfather to receive. During the New Year, 41 percent of Ye Dao purchasers buy the brand as a gift compared with 33 percent during the rest of the year. Its normally high loyalty rating of 69 percent rises to 74 percent during the New Year.



THE CHINESE NEW YEAR TOMORROW

Brand Opportunities Before,
During and After the Holiday

Insights

Both the Zhang family from Weifang and the Liu family from Nanjing spent about RMB 2000 (US\$ 300) during the New Year period. The largest portion went for purchasing food and drink for consumption during the reunion feasts. They spent a smaller amount for gifts, such as traditional Chinese medicines and alcohol. Two conclusions emerge from the spending of these families and others like them:

First, affluence is increasing in the large but less developed cities sometimes designated as Tier Two and below. While spending seems slight compared with some western countries, it's much more than Chinese families spent in the past. And the year-on-year growth rate of affluence and spending is now greater in these cities than in the urban centers along China's coast.

Second, people spend their money somewhat differently today. They continue to make traditional purchases of food and drink and some gifts. But they're spending more. The country's compensation structure helps drive spending. Effectively, people in non-farming parts of the economy have extra cash during the New Year because annual salaries are divided into 13 increments with the extra payment timed for the Chinese New Year. It's also important to remember that Chinese New Year is different from the Holiday Season in the West. Gifting does not, and will not, attain equivalent importance.

This inaugural study into brand opportunities in the fastest-growing regions of China yielded many new and unique insights.

1. People yearn to connect with traditions. They especially feel the impact of modern life on traditional values during the New Year when they have time to reflect and reconnect with family.
2. Although gifting consistently has played a role in the Chinese New Year, until now it's been limited to certain categories.
3. Brand importance during the New Year is likely to expand in those categories, such as food and drink, where it's already a factor.
4. Brand importance can expand into certain other categories, such as ingredients, snack food and other treats that enhance the celebration of the New Year.
5. It's a mistake to equate the Chinese New Year with Christmas and the holiday gift-giving season in the West. It's different and it will remain different.



the holiday today. According to research by WPP's Millward Brown, successful Chinese New Year advertising and communication helps customers find harmony in the contrast between their current experience of the holiday and their memories.

6. The expansion of gift giving may develop in at least two directions: the traditional gifts to indicate status or show affection or respect to a family member; and the enabling gifts, probably of money, from parent or grandparent to child, to spend on technology, connectivity or other consumer products.
7. Traditional gift giving will drive sales in key categories such as alcohol and traditional Chinese medicine before the New Year. The enabling type of gift giving will drive post Chinese New Year purchasing.
8. Brands and retailers have a major opportunity to bond with customers by introducing packaging and design that help make the New Year feel special, evoke some of the traditions from the past, and connect brands more firmly with the holiday.

The most effective brand messages will sensitively depict the gap between how some older Chinese people recall the New Year of their past and how they celebrate



Brand Classifications

To clarify the role brands play - and potentially can play - during the Chinese New Year it's useful to think of brands and product categories as fitting into one of the following three classifications: **Essential**, **Upgrade** and **Gifting**. In some cases categories or brands fit into more than one group.

Essential: EXPERIENCING FAMILY REUNION AND HARMONY

These include the categories and brands that families feel are basic to the New Year celebration. These products, often purchased year round, assume an added significance during the New Year because they are, in the broadest sense, ingredients for making the holiday successful.

These items, for example, include food (cooking oil, snacks) alcohol (baijiu, beer and wine) or apparel. During New Year, however, people purchase more and the purchase intention changes somewhat because of the occasion. Shoppers look for a greater degree of certainty. They're preparing holiday feasts for extended family. They need larger quantities and greater assurance that they'll make a good impression or at least not make mistakes.

Impact for brands and retailers

The family may not trade up to a different brand, but the purchase of the current brand will be more considered. If a more premium version is available it may be selected. The emotional benefits derived may justify a higher price. While much of the shopping for fresh food takes place at traditional markets, modern hypermarkets can attract more attention, even in food, by being more culturally relevant in presentation.

Upgrade: TREATING OUR FAMILIES AND OURSELVES WELL

The categories and brands in this group include alcohol and apparel. Baijiu and Chinese wine are enjoyed all year, of course, but during the New Year a person might purchase a more expensive brand for personal consumption, as a treat. During the holiday, people use alcohol symbolically to express affection or respect. Those sentiments are reflected in brand selection when considering the hierarchy of price and prestige.

Impact for brands and retailers

Alcohol brands already benefit from this inclination to trade-up. But most brands have not fully or consciously realized the potential. Holiday promotion usually is limited to brightly colored red packaging. More original strategic positioning, value proposition, packaging, presentation and communication can emphasize the emotional and symbolic aspects of the purchase. This is a time when consumers are in the mood to trade up and even switch brands and embrace new categories for treating themselves. Brands have an opportunity to serve this consumer mood.

Gifting: SHOWING AFFECTION AND RESPECT TO OTHERS

At the moment, gifting primarily is limited to alcohol for certain friends and family members and traditional Chinese medicine for older people. Children also receive modest gifts. Those basics are deeply embedded into the culture and are likely to continue. Gifting is highly ritualized in China as a way to confer respect and recognize social hierarchy and status. Younger people visit their elder relatives at least once during the holiday period. The functional benefit of a gift is especially important. Gifting is part of the holiday celebration in China, but it's not the central activity, as it sometimes seems to be in the West during December. Rather, the family reunion remains the most valued aspect of the Chinese celebration.

Impact for brands and retailers

Expectations are key. It's unrealistic and culturally tone deaf to expect that gift giving during the Chinese New Year is ever going to resemble the West's December holiday season. But gifting is already part of the New Year celebration. Opportunities await brands within this context. Specifically, gifting to children could increase along with gifting among immediate family members in categories such as apparel. In the absence of other factors, price remains the chief indicator of quality. Brands have an opportunity to expand the notion of quality, which is essential in gift giving transactions. A quality gift shows respect and sustains self-respect.

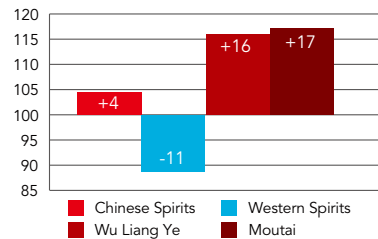
Success Factors

Recognizing that these three areas of opportunity- **Essential**, **Upgrade** and **Gifting** - exist for brands, it's then critical to understand the factors that determine success. We studied alcohol and traditional Chinese medicine brands, already vital to the New Year celebration, to learn the qualities that brands generally must exhibit to become more closely identified with the holiday.

By analyzing the BrandZ™ data that probes consumer attitudes toward these brands in China, we identified Trust and Value as the two key prerequisites for brand success during the New Year celebration.

TRUST

When thinking about either of the two major gifting categories, alcohol and traditional Chinese medicine (TCM), the first filter is trust: Am I impressed with the heritage and promises of this brand? Does the brand continue to fulfill its promises and would I recommend it?



The vertical axis shows the TrustR score. The average for all Chinese brands is 100. Brands with high TrustR scores (over 100) are more likely to be considered by consumers for their New Year's celebrations. Wu Liang Ye and Moutai score high on TrustR. TrustR measures Trust (brand heritage) plus Recommendation (current performance). TrustR is a BrandZ™ analytic tool developed by Millward Brown.

VALUE

The second filter is value. Do I strongly desire this brand? And does the price match desire in a way that I perceive strong value.



This Valued-D chart measures the gap between the consumer's desire for a brand and the consumer's perception of the brand's price. The prices of Chinese alcoholic drinks vary. Some brands of Baijiu, such as Wu Liang Ye and Moutai, can command high prices because they're aspirational and highly desired. Value-D is a BrandZ™ analytic tool developed by Millward Brown.

Trust is an extremely important factor in the TCM category. In both TCM and alcohol value is important as a way to show respect to the recipient of a gift. Especially in the alcohol category, the interpretation of value varies depending on whether the purchase is for gifting or home consumption.

Achieving high levels of trust and value is particularly important in China. It's true that many Chinese people are growing more affluent. But that doesn't mean they're going to spend profligately or become any less value centric. Although self-evident, it's worth repeating: China is not the West. Chinese people are inclined to demand a strong value proposition and save while people in

developed western countries, at least until the recent economic downturn, are more likely to spend. The only exception in China may be luxury where people trade price for status. Successful luxury brands deliver a strong value proposition with the status they symbolize.

As Chinese people become more affluent, their sense of value will become even more acute. Brands that gain in trust and perceived value will be more likely to be considered acceptable during the New Year. The alcoholic beverage and TCM brands exemplify the success that accompanies high levels of trust and value.

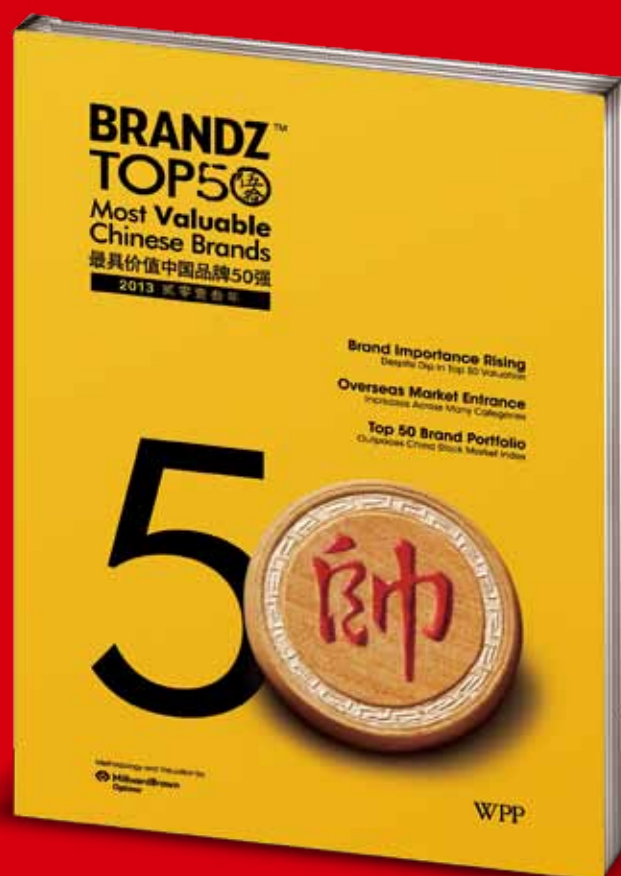
Some Baijiu is high priced. When gifting, consumers may view the brand as expensive but still buy it for the prestige it represents. For home consumption, however, consumers often select a brand that offers a combination of quality and affordability that equates to good value. During the New Year, Chinese consumers may trade up slightly even for home consumption, and select a more aspirational brand whose higher price they accept as a justified premium.

These conclusions illustrate the premise of this study: that the celebration of the Chinese New Year offers enormous untapped potential for brands and retailers.

Take Aways

- 1 **Understand New Year history.** Consider ways to enhance the celebration and create a more pleasurable shopping experience.
- 2 **Be committed.** Advance initiatives that reflect deep understanding of the New Year and genuinely improve the holiday experience for customers.
- 3 **Evoke past traditions.** Since brands and retailers currently focus mostly on price promotion, almost anything culturally sensitive and relevant should be appreciated. But as China changes, it's important to be forward-looking, not nostalgic.
- 4 **Be proactive.** Find an authentic way to introduce packaging or presentation that simultaneously enhances the brand and the New Year celebration.
- 5 **Focus on Tier Two and below.** These are the places where affluence and spending on a year-on-year basis is growing fastest and where brands will battle for presence and share. It's a new frontier, which means that opportunity is extensive and the winners are undecided. What's clear, however, is that brands that win here will win in China.
- 6 **Be genuine.** With limited discretionary income but a surfeit of ambition to improve their lives, people in the developing cities of China tend to spend money on items that are practical rather than simply status enhancing. As these consumers become more discerning, brands need to tell the brand story and tell it well. Brand stories are becoming a more important ingredient of brand status, especially as consumers consider options for gifting or upgrading family treats.
- 7 **Construct a value proposition.** Chinese consumers are willing to spend more for products during the New Year celebration, but they insist on value.
- 8 **Think and act long term.** The centrality of the Chinese New Year makes it a fast track into the hearts of Chinese consumers, a catalyst for moving more quickly up the BrandZ™ Pyramid to a stronger bonding position that can pay year-round dividends.
- 9 **Expand the shopping period.** Remember the important post-New Year sales opportunity when people spend money received as a holiday gift.
- 10 **Enlarge the New Year offering.** As people become more consumer-centric, new categories will become part of the New Year celebration. Telecom brands, for example will have opportunities as smart phone prices decline.





Required Reading...

Chinese brands are rapidly gaining in stature and value across many categories both in China and abroad.

Understanding their success is vital to assuring your success in China. That's why the BrandZ™ Top 50 Most Valuable Chinese Brands 2013 is required reading. Along with the extensive quantitative valuation analysis of the leading brands by Millward Brown Optimor, the report includes:

- Strategic summaries of each brand
- Key developments for 16 categories
- Fresh insights into consumer shopping behavior

Dramatic photos accompany the text, illustrating how Chinese people integrate

brands into everyday life. All of this knowledge- and much more-is packed into this 173-page report. Short individual videos on each of the top 50 brands containing unique content about China are also available.

The report is one more example of the China expertise of WPP companies and the unparalleled brand analytics of BrandZ™. BrandZ™ includes the world's largest, most reliable and comprehensive consumer-focused brand analytics and equity database exclusively available to WPP companies.

If your business can benefit from a deeper understanding of Chinese brands and branding, you need to read this free report. To download the report and or watch the videos go to www.brandz.com/china

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WPP in China employs over 14,000 people in Beijing, Shanghai, Guangzhou and many other cities and provinces. Our areas of expertise include: advertising, branding and identity, digital insight and consultancy, public relations, promotion, marketing, media, retail and shopper marketing. We provide the knowledge and implementation necessary to understand China and build and sustain brand value. To learn more about how to apply this expertise to benefit your brand, please contact any of the WPP companies that contributed to this report or contact:

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BRANDZ™

BrandZ™ is the world's largest and most reliable and comprehensive customer-focused brand analytics and equity database. It forms the basis of many studies, such as this one on Chinese brands, as well as the definitive Top 100 Most Valuable Global Brands. Commissioned by WPP and conducted annually by Millward Brown, the global study measures the brand equity of thousands of consumer-facing and business-to-business brands. It is based on interviews with over two million consumers worldwide.

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Millward Brown is one of the world's leading research agencies and is expert in effective advertising, marketing communications, media and brand equity research. Through the use of an integrated suite of validated research solutions — both qualitative and quantitative — Millward Brown helps clients build strong brands and services.

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Added Value provides consultancy on brand development and marketing insight for iconic brands, both big and small, around the world. The company helps solve clients' central marketing questions about market equity, positioning, innovation and communications. Added Value specializes in tackling the toughest questions and providing sharp, strategic answers. It operates from 23 offices in 14 countries. To gain the knowledge and insight that informs this Chinese New Year report, an Added Value team from China lived with two different families in the run-up to the holiday and during the New Year celebration. Added Value is part of WPP's Kantar Group.

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Target Group Index (TGI), is a global network of single-source market research surveys providing invaluable, comparable consumer insights for over 60 countries across six continents. It is widely used for understanding target markets and to aid in marketing and advertising decisions. The TGI-affiliated study in China is CNRS-TGI, published by CTR, which surveys almost 100,000 Chinese consumers annually. The TGI global network is co-ordinated by WPP's Kantar Media.

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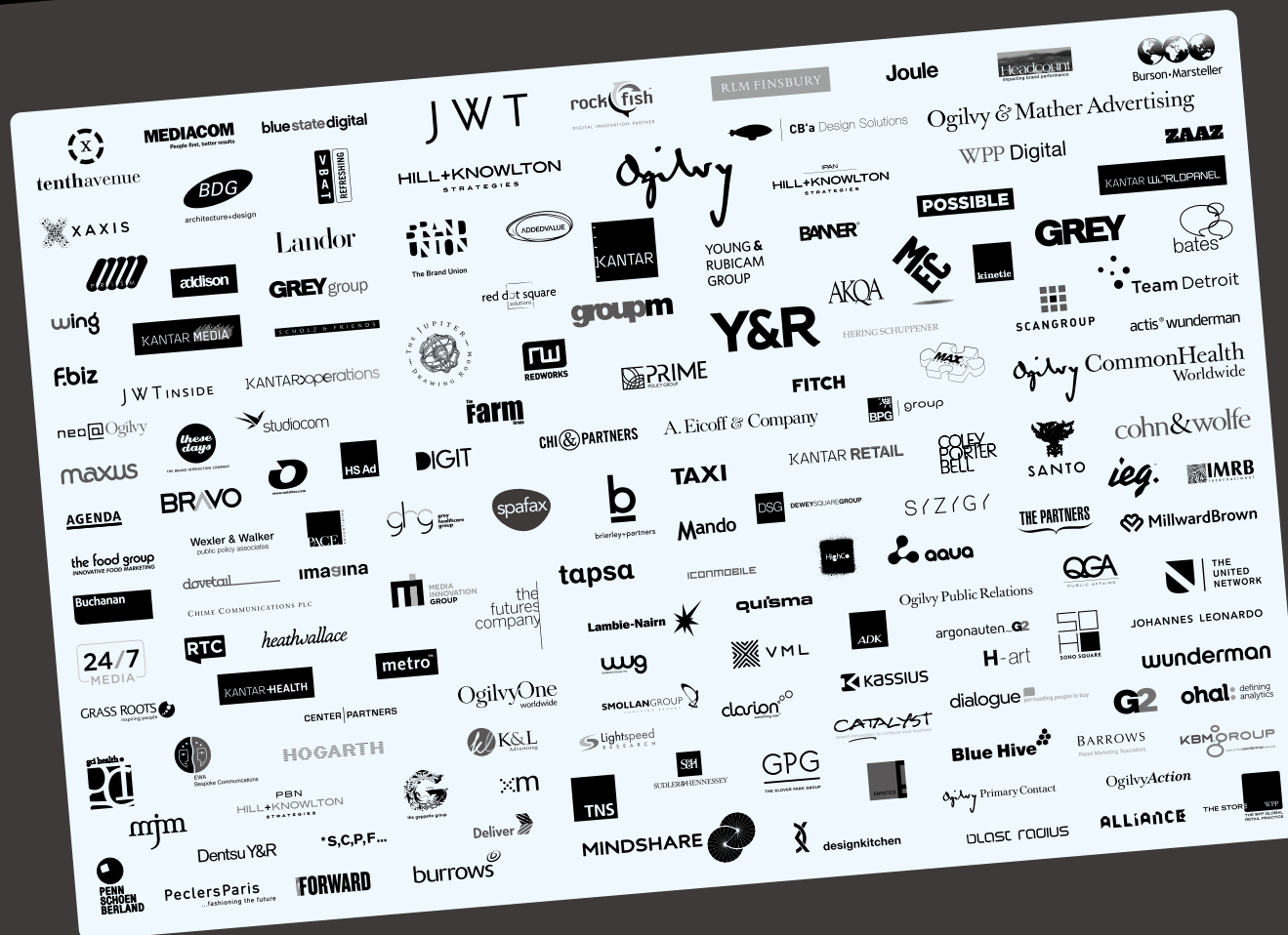
DATA & ANALYSIS

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WITH APPRECIATION

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萬事如意 Wishing you
happiness & harmony
in the New Year

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